

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997))

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Docket No. R97-1

**THE DIRECT MARKETING ASSOCIATION, INC.'S SECOND SET OF
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF
DOCUMENTS DIRECTED TO USPS WITNESS O'HARA
(DMA/USPS-T30-11-16)**

Pursuant to Sections 25 and 26 of the Commission's Rules of Practice, the Direct Marketing Association, Inc. hereby submits the attached second set of interrogatories and requests for production of documents to USPS witness O'Hara (DMA/USPS-T30-11-16). If the designated witness is unable to respond to this interrogatory, we request a response by some other qualified witness.

Respectfully submitted,



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September 16, 1997

Witness O'Hara (USPS-T-30)

DMA/USPS-T30-11. Please refer to your response to DMA/USPS-T30-4(e) concerning the EX3C data collection effort and to witness Moeller's response to VP-CW/USPS-T36-9 concerning the EX3C, ADVANCE/DAR, and TCMAS systems.

- (a) Please provide all data (including, but not limited to, the aggregated data from PQ 3, FY 94) relating to the EX3C data collection effort. Please provide copies of all EX3C reports as library references as requested in DMA/USPS-T30-4(e); if the Postal Service considers such reports to be confidential, please describe these reports in detail and summarize the information they contain.
- (b) Please explain which mailings and mailers were selected to participate in EX3C and why such mailings and mailers were selected.
- (c) Please explain why EX3C was discontinued on November 3, 1996. Are there any plans to initiate a similar data collection endeavor in the future? If "yes," please explain fully.
- (d) Please describe all other efforts by the Postal Service to develop a performance measurement system for Third Class or Standard (A) mail (including, but not limited to, the ADVANCE/DAR and TCMAS systems), including the date on which the system was initially established, the number and types of mailers and mail involved, and the scope and current status of the system. Please provide copies of all reports relating to these efforts or, if the Postal Service considers such reports to be confidential, please describe these reports in detail and summarize the information they contain.
- (e) Please explain whether any of the efforts described in subpart (d) resulted in a performance measurement system for Third Class or Standard (A) mail. If "yes," please describe fully the performance and results of such a system. If "no," please explain fully why no such measurement system was created.

DMA/USPS-T30-12. Please refer to page 7, line 10, to page 9, line 12, of your direct testimony (USPS-T-30), where you discuss Criteria 6 (Degree of Preparation) and state that this criterion "now plays an important role at the level of rate design within each subclass."

- (a) Does this statement indicate that you do not regard the relative degree of preparation as a significant factor in setting the relative cost coverages across classes or subclasses? If so, please explain in detail the basis for this conclusion? If not, please describe in detail how you applied this criterion.
- (b) In applying this criterion, did you treat mailer preparation that qualified for worksharing discounts (e.g., application of a barcode in Standard (A) Regular) on the same basis as mailer preparation intrinsic to the definition of an entire subclass (e.g., sortation to carrier route in Standard (A) ECR)? Explain fully your reasoning.
- (c) Please confirm that, to the extent there are significant differences among subclasses with respect to degree of mailer preparation not reflected in the applicable cost coverages for the subclasses, and the passthroughs applicable to worksharing discounts within the subclasses are less than 100%, the rate levels within the subclasses may not appropriately affect differences in the degree of preparation as called for by 39 U.S.C. § 3622(b).

DMA/USPS-T30-13. Please refer to page 33, lines 19-22, of your direct testimony (USPS-T-30), where you address the degree of mailer preparation of Standard (A) mail and conclude that Standard (A) Regular mail overall "does not have the same degree of preparation as Enhanced Carrier Route."

- (a) Please describe in detail all data and analysis on which this conclusion was based. Did you take into account the cost to the mailer associated with mailer preparation?
- (b) Please confirm that at least some pieces of Standard (A) Regular mail have a greater degree of mailer preparation than certain pieces of Standard (A) ECR mail.

DMA/USPS-T30-14. Please refer to your response to DMA/USPS-T30-4(b), which describes the Postal Service's policies of deferring Standard (A) mail to facilitate "workload leveling."

- (a) Please provide the Postal Service's best possible description of the circumstances in which Standard (A) mail is most commonly deferred, and the Postal Service's best possible estimate of the approximate frequency of deferral.
- (b) Please state whether Standard (A) Regular mail is deferred more often than: (i) First Class mail; (ii) Periodicals; and (iii) Standard (A) ECR mail.
- (c) Please describe in detail all data or analysis on which you base your responses to sub-parts (a) and (b).

DMA/USPS-T30-15. Please refer to your response to DMA/USPS-T30-5, where you state that "management judgment is employed to determine what balance to strike between expenditure on capacity and the risk of service failure."

- (a) Please confirm that the fact that a "balance" is struck indicates that postal management is willing to incur some risk of service failure. If not confirmed, please explain fully.
- (b) Please confirm that in striking this balance, postal management at times decided to put in place fewer capacity resources than would be regarded as sufficient to ensure that anticipated mail volumes during a high-volume period will be meet applicable service standards, and that service failures in fact result from these decisions. If not confirmed, please explain fully.
- (c) Please confirm that, in the instances referred to in sub-parts (a) and (b), the service failures are suffered by (and/or the risks of service failures are borne by) Standard (A) mail to a greater extent than by First Class mail.

DMA/USPS-T30-16. Please refer to your response to OCA/USPS-T30-5, under the heading "Value of Service," where you state that Ramsey pricing included the effect of "cross price elasticities more explicitly" than "economic value of service" under 39 U.S.C. § 3622(b).

- (a) Please describe in detail the appropriate role, if any, of "cross price elasticities" under the pricing criteria of § 3622(b).

- (b) If such elasticities have some role, is it appropriate to limit consideration to cross-price elasticities among postal products? Explain fully your reasoning.

- (c) Do you believe that the cross-price elasticity estimates contained in the record are appropriate for use in applying the pricing criteria of § 3622(b)? Please explain your response fully.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with Rule 12 (section 3001.12) of the Postal Rate Commission's Rules of Practice and Procedure and Rule 3 of the Commission's Special Rules of Practice in this proceeding.

Michael D. Bergman

September 16, 1997